

16 November 1962

MEMORANDUM FOR THE RECORD

SUBJECT: Funding of the CIA Retirement Fund

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Background

The Foreign Service Act and Section 252 (c) (1) of the long version of the CIA Retirement and Disability system provide that: "If an officer or employee under some other Government retirement system becomes a participant in the system by direct transfer, such officer or employee's total contributions and deposits, including interest accrued thereon, except voluntary contributions, shall be transferred to the Fund effective as of the date such officer or employee becomes a participant in the System."

In reviewing the CIA bill, a staff officer of the Bureau of the Budget commented on the above provision as follows: "It would seem advisable that in order to establish the proposed fund on as firm a basis as possible, that provision should also have been included in the draft bill to authorize CIA to withdraw its matching contribution from the other, e.g. Civil Service, system for transfer to the new fund."

In order to explore this proposal more thoroughly and get an advance reading on the attitude of the Civil Service System toward such a proposal, a meeting was held 15 November with Mr. Andrew Ruddock, Director of Bureau of Retirement and Insurance.

In introduction I brought Mr. Ruddock up to date with respect to the fate of the original "short version", its conversion to a long version, and our hopes to return to a short version. In this connection, Mr. Ruddock immediately grasped the issues and strategy involved and commented that with a full CIA bill it would be most difficult to ~~correlate~~ the CIA and Foreign Service retirement systems.

From this point I explained the recommendation implied in the BOS staff paper that both the individual's contributions and the Agency's contributions should be transferred to the new fund from the Civil Service Fund. I inquired whether the Civil Service would be likely to object to such provision. In response, Mr. Ruddock assured me informally that he could conceive of no possible objection. He even cited a historic situation in reverse involving the Government of Panama in which certain Panamanians were brought under the Civil Service Retirement System and their full equity in another retirement system was transferred to the Civil Service System. He also stated that since a substantial number of persons would be involved, full transfer of all funds deposited for an individual would be preferable from a bookkeeping and fund analysis basis.

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In view of this, I inquired why the Foreign Service Act only provided for withdrawal of the individual's contributions. I gathered from Mr. Ruddock's discussion that the original concern had been to give the individual the option to withdraw or not withdraw his equity in the Civil Service Retirement System. Under this concept the individual had to apply for the refund and had to re-deposit it with the Foreign Service retirement system. The logic of transferring the related Agency contributed funds apparently got lost in this shuffle.

In this connection, however, Mr. Ruddock urged that any special language in a long version CIA bill call for a direct transfer of all moneys related to an individual's retirement equity merely by submission of a notification from CIA.

As a final point I asked Mr. Ruddock whether in practice any persons transferring to the Foreign Service Retirement system were retaining an equity in both retirement systems and whether in his opinion this might in the future ever be to an individual's advantage. He said such was not current practice and that it was improbable that any advantage would accrue from retirement equity in each two systems although admitting that certain out-of-phase improvement in each system was inevitable.

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